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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
 GARY PIERCE
 BRENDA BURNS
 BOB BURNS
 SUSAN BITTER SMITH

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AZ CORP COMMISSION
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Arizona Corporation Commission

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DOCKET NO. T-02063A-13-0411

IN THE MATTER OF THE APPLICATION OF
 ARIZONA TELEPHONE COMPANY, AN
 ARIZONA CORPORATION, FOR A HEARING
 TO DETERMINE THE EARNINGS OF THE
 COMPANY, THE FAIR VALUE OF THE
 COMPANY FOR RATEMAKING PURPOSES,
 AND TO INCREASE RESIDENTIAL RATES AS
 NECESSARY TO COMPENSATE FOR THE RATE
 IMPACTS OF THE FCC'S USF/ICC
 TRANSFORMATION ORDER.

ORIGINAL

PROCEDURAL ORDER**BY THE COMMISSION:**

By Procedural Order dated July 1, 2014, Arizona Telephone Company ("Arizona Telephone") and the Arizona Corporation Commission's ("Commission") Utilities Division ("Staff") were directed to file updated recommendations in light of the FCC's June 10, 2014 release of its *Seventh Reconsideration Order* which granted a waiver of the provision that would cut high cost loop support for carriers if their rates are \$14 or higher as of June 1, 2014, and established a phase-in schedule for residential floor rates that must be in effect in order to preserve current levels of high cost loop support.¹

On July 31, 2014, Arizona Telephone and Staff filed their updated recommendations in this matter. Both parties are recommending that the Commission adopt the following residential access rates and effective implementation dates without further hearing in this matter: \$16 by December 1, 2014; \$18 by June 1, 2016; and \$20 by June 1, 2017.

Prior to the FCC's *Seventh Reconsideration Order*, Arizona Telephone was recommending that the Commission adopt a residential rate of \$20.46, and Staff was recommending a rate of \$19.00

¹ Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, *Seventh Order on Reconsideration and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90, WT Docket No. 10-208, WC Docket No. 14-58, WC Docket No. 07-135, CC Docket No. 01-92, Released June 10, 2014 ("Seventh Reconsideration Order") at ¶ 80.

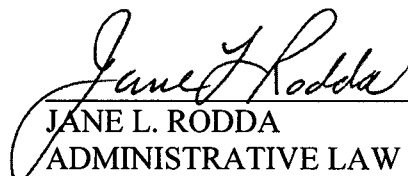
1 to be effective June 1, 2014. The exhibits admitted in the record reflect the parties' positions at the
2 time and prior to the FCC's June 10, 2014 Order. In order to have a complete and accurate record,
3 Arizona Telephone should update its schedules to show the pro forma effects on revenues if
4 residential access rates are increased to \$16, \$18 and \$20, and to also show the effect on operations if
5 residential rates remain at \$14/month and the federal benchmark is \$16, \$18 and \$20/ month; and
6 shall update the exhibit that shows a typical residential rate at the requested rates.

7 In its Staff Report, Staff analyzed the application as filed, using residential local exchange
8 access rates of \$17.50 and \$19.00. Staff opined that compared to the Company's total revenues, the
9 impact on revenues from an increase to \$19.00 would be small and any impact on the return on
10 Arizona Telephone's FVRB would be de minimus.² Staff then provided its reasons for believing that
11 its recommended rates (i.e. up to \$19.00) are just, fair and reasonable, and necessary. In its July 31,
12 2014 update, Staff recommends adopting the lower of \$16, \$18, and \$20 or the FCC's benchmark
13 floor to be phased-in over time. Given these revised recommendations, Staff is requested to clarify
14 its reasons for concluding that the revised rates and phase-in schedule are just, fair and reasonable.
15 Similarly, given that the revised requested rates are lower than the Company originally requested and
16 would be phased-in, the Company is also requested to confirm that the revised rates and phase-in
17 would result in just, fair and reasonable rates, and provide the basis for its conclusion.

18 IT IS THEREFORE ORDERED that the parties shall file updated schedules and clarifying
19 statements, as discussed herein, as soon as they can, but no later than August 29, 2014.

20 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
21 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
22 hearing.

23 DATED this 7th day of August, 2014.

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25 
26 JANE L. RODDA
27 ADMINISTRATIVE LAW JUDGE

28 ² Staff Report at 5.

1 Copies of the foregoing mailed/delivered
2 this 7th day of August, 2014, to:

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